



February 7, 2020

**VIA ELECTRONIC FILING**

The Honorable Jocelyn Boyd  
Chief Clerk/Administrator  
**Public Service Commission of South Carolina**  
101 Executive Center Drive  
Columbia, South Carolina 29210

RE: Dominion Energy South Carolina, Incorporated's Request for Approval  
of an Expanded Portfolio of Demand Side Management Programs, and  
a Modified Demand Side Management Rate Rider  
Docket No. 2019-239-E

Dear Ms. Boyd:

By its directive, dated December 10, 2019, ("Directive") in the above-referenced docket, the Public Service Commission of South Carolina ("Commission"), among other things, directed parties to, within 60 days, "file Comments on the programs listed in Section 2.1 [of the Late Filed Hearing Exhibit 5 submitted by the South Carolina State Conference of the NAACP, the South Carolina Coastal Conservation League, and Southern Alliance for Clean Energy on November 11, 2019,] and whether th[ose programs] are duplicative of [the programs approved by Order No. 2019-880]." See also Order No. 2019-880, pp. 4, 31.

By this letter, and in compliance with the Directive, Dominion Energy South Carolina, Inc. ("DESC" or "Company") hereby informs the Commission that DESC previously provided to the Commission on December 4, 2019, the requested comments on the programs listed in Section 2.1 of the Late Filed Hearing Exhibit 5 along with its Motion to Strike Late Filed Hearing Exhibit 5. For ease of reference, DESC is restating below the relevant program comments from Section 2.1 of DESC's Late Filed Hearing Exhibit in Response to Late Filed Hearing Exhibit 5.

**2.1 Efficiency Measures to Prioritize**

The "Efficiency Measures to Prioritize" section of the Late Filed Exhibit lists five categories of efficiency measures to reduce winter peak. Each of the categories of measures but one is already included in DESC's proposed suite of programs. The facts will show that the last item, Combined Heat and Power, is not currently appropriate to implement as a DSM program.

### 2.1.1 Building Envelope

**Air-Seal and Insulate—General.** DESC agrees with the statement made in the Late Filed Exhibit that “[f]or residential or commercial buildings with electric heat, comprehensive weatherization (air sealing and insulation) provide[s] savings that have beneficial impacts on winter peak demand.” The Late Filed Exhibit, however, neither identifies any specific measures or programs for air sealing and insulation, nor does it show any to be cost effective. This is a glaring omission. Further, the inference that DESC has somehow failed to consider and include such measures is unwarranted. DESC proposed a suite of programs that includes multiple programs that address air sealing and insulation, each of which was determined to be practical to implement in DESC’s service territory, would meet the needs of its customer base and would be likely to produce meaningful winter peak reductions. Each has been determined to cost effective in the Potential Study.

Specifically, the newly-proposed Tier 2 offering under the Home Energy Check-Up program will incentivize air sealing and insulation measures for residential customers at up to 75% of cost. *See* Potential Study, Section 11.3. This program is open to all residential customers.

As an offering addressing existing construction, the Home Energy Check-Up program is a priority in the portfolio of DESC’s DSM programs. It has the highest budget of all residential programs in DESC’s proposed portfolio and the second highest contribution to the forecasted reduction of winter peak. Additionally, the program is open to all residential electric customers regardless of home type (mobile home, single family, multifamily) and whether customers rent or own their home. Those figures are found in Table A [of DESC’s Late Filed Hearing Exhibit in Response to Late Filed Hearing Exhibit 5] and in the Potential Study at page 53.

For commercial and industrial customers, the flagship DSM program is the EnergyWise for Your Business (“EWFYB”) program. Under the custom path, customers and their contractors determine the specific measures, including adding insulation and/or air sealing, that are required to improve the energy efficiency of a particular business or building. The program then incentivizes the cost of implementing those customized measures at up to 50% of their cost. In total, the program is estimated to reduce winter peak by 122 MW over the coming ten years.

Insulation and air sealing incentives are marketed as an integral part of DESC's overall DSM portfolio. As part of its outreach and training for trade allies, DESC publicizes these programs to its trade allies, provides free onsite contractor training and encourages them to promote incentives to their customers. These programs are also promoted to residential customers directly as part of the new or modified Heating & Cooling program and Home Energy Reports marketing plans.

**Air-Seal and Insulate—Mobile Homes.** DESC agrees with the statement made in the Late Filed Exhibit that “[m]obile and manufactured homes provide a particularly compelling target as they are often heated with electric resistance heat and on average they have higher use, on a per square foot basis, than site-built homes.” Late Filed Exhibit at 3. Based on comments from the Advisory Group, the Company added a comprehensive set of mobile home energy efficiency measures to the Neighborhood Energy Efficiency program (“NEEP”) in recent years. Those measures include direct install of air sealing, duct sealing, belly board insulation/repair, and attic plug and fill insulation and reflective roof coating, all incentivized at 100% of the cost. DESC chose to tie these measures to NEEP because of the importance of community involvement in gaining the trust of mobile home customers to allow access to their homes, and the importance of the neighborhood sweep approach to overcome the inefficiencies inherent in attempting to deliver the program to isolated mobile homes. DESC chose to include a requirement that the mobile home be evaluated for inclusion in the mobile home component after participation in the core NEEP offering because, in its experience, some mobile homes are in such bad condition that major structural repairs would be required before insulation and sealing measures could have a meaningful impact on energy efficiency. Mobile home customers also qualify for other programs available to residential customers, including Home Energy Check-Up and the EnergyWise Savings (Online) Store.

**Air-Seal and Insulate—Conclusion.** In sum, the proposed suite of programs does in fact target and prioritize air sealing and insulation both for residential, commercial and industrial customers generally, and for mobile homes specifically. This fact is not fully appreciated or reflected in the Late Filed Exhibit [put forward by certain intervening parties].

### **2.1.2 Heating, Ventilation, and Air Conditioning (Plant, Distribution, Control)**

**Replace Electric Resistance Heat with Air Source Heat Pump.** DESC agrees with the statement made in Late Filed Exhibit that “[r]eplacing electric resistance space heat with an air source heat pump can provide dramatic savings and will reduce winter peak.” Late Filed Exhibit at 3. Under the Heating & Cooling and Water Heating Program, DESC proposes to incentivize the replacement of electric resistance heating with an air-source heat pump with incentives that range from \$550 to \$875. These measures are described in more detail in the Potential Study at Section 11.2. The Potential Study analyzed the level of incentive required to motivate electric resistance heating replacement while maintaining the cost-effectiveness of the measure. The incentive amounts were set accordingly and included input received from both HVAC contractors and distributors during the trade ally workshops. As with other incentive levels, these incentive levels will be evaluated and adjusted as needed going forward based on program results and the results of the annual Evaluation, Measurement and Validation (“EM&V”) studies.

The Heating & Cooling and Water Heating Program is prioritized as an existing construction program. It is the second largest residential DSM program by budget and has the largest impact on peak demand of all residential DSM programs.

In addition, the new Multifamily program includes the replacement of electric resistance heat with an air-source heat pump under the incentivized common area measures for property owners. See Potential Study, Appendix D. Replacement of electric resistance heating by commercial and industrial customers is incentivized as a custom measure under the EnergyWise for Your Business program.

**Install Smart Thermostat.** In the Late-Filed Exhibit, the Joint Interveners observe that “[u]tilities in many states are providing incentives for smart thermostats to reduce energy consumption.” Late Filed Exhibit at 4. The Late Filed Exhibit appears not to fully appreciate the fact that DESC proposes to become one of them. DESC’s proposed suite of DSM programs includes a \$75 incentive for smart thermostats purchased through the EnergyWise Savings (Online) Store. See Potential Study, Section 11.6. Additionally, commercial and industrial customers can receive smart thermostat incentives as a custom measure in the EnergyWise for Your Business program.

**Seal and Insulate Ductwork.** DESC agrees with the statement made in Late Filed Exhibit that “[w]hen electric systems include ductwork . . . making sure that ducts are properly sealed and that they are insulated wherever they go outside of the conditioned space can reduce winter peak.” Late Filed Exhibit at 4. In fact, DESC offers specific ductwork measures under two programs, the Neighborhood Energy Efficiency program (“NEEP”) and the Heating & Cooling and Water Heating program. Potential Study, Sections 11.5, 11.2. The Heating & Cooling and Water Heating program proposes to provide an incentive of \$300 for duct sealing and \$300 for duct insulation. Targeted mobile home customers under NEEP receive duct sealing at 100% subsidy of the cost. Under Home Energy Check-up Tier 2 duct sealing and insulation can also qualify as a miscellaneous home shell measure and be incentivized at up to 75% of the cost. Potential Study, Section 11.3. For commercial and industrial customers, duct sealing qualifies for incentives under the custom path for the EnergyWise for Your Business program.<sup>1</sup> Potential Study, Section 11.8.

The Late Filed Exhibit does not mention these offerings or suggest any need to expand or modify them. It does not provide any facts showing that to do so would be practical and cost effective.

**Combined Heat and Power (“CHP”).** As stated in the Late Filed Exhibit, “[c]ombined heat and power (“CHP”) involves the simultaneous production of electricity and useful thermal energy.” It involves “recapturing some of the exhaust heat from gas fired generators” so that “commercial buildings can utilize some of the otherwise wasted energy for domestic hot water or space heating purposes.” Late Filed Exhibit at 4.

CHP projects are generally most attractive to customers that have a large requirement for heat (e.g., food processing, pharmaceutical, refining, pulp and paper, hospitals, and universities, etc.). In DESC’s case, many of the customers that could potentially benefit from CHP have opted out of the Company’s energy efficiency programs. The CHP equipment is typically sized to meet the heat load, and the amount of electricity generated follows the heat required. A CHP project can often cost millions of dollars, and incentives to support such projects can encumber a significant portion of a utility’s energy efficiency program incentive budget.

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<sup>1</sup> Industrial customer[s] can also apply for this rebate; however, in DESC’s experience, few industrial customers require this service or have the applicable building type where this service would be necessary.

In light of these considerations, DESC did not perform a cost effectiveness analysis of CHP for the purposes of this filing, preferring to focus its offerings on a [considerably] broader group of measures and participating customers, especially low-income customers.

### **2.1.3 Summary of Efficiency Measures**

With the exception of CHP, which has not been shown to be cost effective or desirable [given the very limited numbers of customers who could participate], DESC already implements or proposes to implement programs and measures responsive to each of the Joint Interveners' suggestions.

DESC's Late Filed Hearing Exhibit in Response to Late Filed Hearing Exhibit 5, electronically filed December 4, 2019, pp. 5-10.

DESC is providing a copy of this filing to ORS and the other parties.

If you have any questions, please advise.

Very truly yours,



Matthew W. Gissendanner

MWG/kms

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